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Viewing cable 07KUWAIT808, TERRORIST FINANCE: TREASURY A/S O'BRIEN ENGAGES

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Reference ID	Created	Released	Classification	Origin
07KUWAIT808	2007-05-22 09:42	2011-08-30 01:44	SECRET//NOFORN	Embassy Kuwait

Appears in these articles:

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S E C R E T SECTION 01 OF 07 KUWAIT 000808

SIPDIS

NOFORN
SIPDIS

STATE FOR NEA/ARP, EB/ESC/TFS - LEAHY AND CANNON, S/CT -
MONOSSON, HILL, GALER, AND NOVIS;
TREASURY FOR A/S O'BRIEN, DANIEL HARRIS, AND BENJAMIM DAVIS;
NSC FOR KIFAYAT
AMMAN FOR GRANT

E.O. 12958: DECL: 05/22/2017
TAGS: [KTFN](#) [EFIN](#) [ETTC](#) [PREL](#) [PTER](#)

SUBJECT: TERRORIST FINANCE: TREASURY A/S O'BRIEN ENGAGES
GOK OFFICIALS

REF: A. STATE 53274
[1](#)B. 06 STATE 146295
[1](#)C. HARRIS/CATO E-MAIL DATED 21-APR-2007
[1](#)D. Kuwait 730
[1](#)E. 06 kuwait 4664
f. 06 kuwait 3503
g. State 1612

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d).

[1](#)1. (S/NF) Summary: On April 23-24, Treasury Assistant
Secretary for Terrorist Financing and Financial Crimes

Sipdis

Patrick O'Brien met with senior GOK officials on anti-money
laundering and counter-terrorism finance (AML/CTF) issues.
He conveyed USG concerns about the activities of the
Kuwait-based charity the Revival of Islamic Heritage Society
(RIHS), specifically the activities of branches in Albania,
Azerbaijan, Bangladesh, Bosnia, Cambodia, Russia, Somalia,
and Thailand. O'Brien urged the GOK to demonstrate support
for international counterterrorism efforts by withdrawing its
appeal to Qatar and allowing the UN 1267 Sanctions Committee
to designate three Kuwaiti terrorist facilitators: Jaber
Al-Jalahmah, Hamid Al-Ali, and Mubarak Al-Bathali, designated
by the U.S. in December 2006, pursuant to E.O. 13224.
O'Brien also pressed for the swift adoption of a revised
draft money laundering law that will criminalize terrorist
financing, create inbound and outbound cash reporting
requirements encompassing all ports of entry and exit, and
allow the Financial Intelligence Unit (FIU) to receive
Suspicious Activity Reports (SARs) directly from banks rather
than going through the Office of the Public Prosecutor (OPP).
In addition, he discussed the potential for further USG
technical assistance on cash couriers.

[1](#)2. (S/NF) O'Brien met with xxxxxxxxxxxx In all of his meetings, O'Brien stressed
that while U.S.-Kuwait cooperation on counterterrorism was
strong, there were significant areas of USG concern on
AML/CTF. GOK officials conveyed Kuwait's strong commitment
to fighting terror in all of its forms, including through
curbs on terrorist financing, and described GOK efforts to
raise public awareness of these issues in Kuwait. MOSAL and
MFA both disagreed that RIHS activities abroad constituted
support for terrorism. xxxxxxxxxxxx, in particular, suggested
the U.S. cases against RIHS and the three terrorist
facilitators were full of holes, but failed to provide hard
evidence to support his claims. Absent "concrete evidence,"
GOK officials said that it would be impossible for the GOK to
support USG efforts to designate RIHS branches abroad or ask
Qatar to remove its hold on the designation of the three
Kuwaitis at the UN 1267 Sanctions Committee. GOK
interlocutors also indicated that a technical review of a
draft amendment to the current GOK money laundering law is
nearing completion and the revision will be presented to the
National AML/CTF Committee Chairman, the CBK Governor, soon
(see para 18). End summary.

Ministry of Foreign Affairs:
"We Need Evidence, Not Speculation"

[1](#)3. (S/NF) On April 23-24, Treasury Assistant Secretary for
Terrorist Financing and Financial Crimes Patrick O'Brien
visited Kuwait for meetings with senior GOK officials to

discuss AML/CTF issues, charities -- specifically RIHS -- and UNSCR 1267. In a two-hour long meeting with xxxxxxxxxxxx,

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O'Brien expressed concern about RIHS and passed xxxxxxxxxxxx a non-paper on its activities (ref A). O'Brien noted that the USG has shared information on RIHS activities with the GOK since 2002 and that non-papers were passed to the GOK on numerous occasions detailing ongoing RIHS terrorist support activities. O'Brien conveyed USG intentions to pursue domestic and UN designations of eight RIHS branch offices: Albania, Azerbaijan, Bangladesh, Bosnia, Cambodia, Russia, Somalia and Thailand. O'Brien described enforcement actions taken by the governments of Afghanistan, Albania, Azerbaijan, Bangladesh, Bosnia, Pakistan, and Russia against RIHS branch offices. He added that the USG is working with foreign governments that have RIHS branches of concern to gather additional evidence and pass to the GOK.

14. (S/NF) xxxxxxxxxxxx reiterated GOK concerns about the absence of solid evidence in the USG case against RIHS and noted that "absent hard evidence" the GOK would not support the USG designation of RIHS and would ask Qatar to block any names associated with RIHS brought to the UNSC. xxxxxxxxxxxx explained that charities must receive approval both internally -- from the Ministries of Social Affairs and Labor, Foreign Affairs, and the Central Bank of Kuwait -- and externally from the host governments where projects are to be carried out. xxxxxxxxxxxx insisted that "the GOK has yet to receive reports of wrongdoing from any of the countries where RIHS operates" and that the GOK will not take action on USG accusations without investigating them first. xxxxxxxxxxxx noted that when he received the expanded USG non-paper in September 2006, he eagerly followed up with host governments, but the responses he has received from them to date paint a "completely different" picture from that conveyed by the USG. Waving a sheath of documents, xxxxxxxxxxxx said the written report of the GOK's own findings would be shared with the USG soon. xxxxxxxxxxxx did not present any papers containing hard evidence, asserting that he did not want to pass information along until he had a "full and complete report."

15. (S/NF) xxxxxxxxxxxx made the following specific points:

- Bangladesh: xxxxxxxxxxxx asserted that USG charges are different from those of the GOB. "The USG non-paper said RIHS' accounts were frozen while in reality the Bangladesh NGO Office renewed RIHS' registration for another 5 years in November 2006," he stated. He added that the GOK has been told RIHS projects in Bangladesh are going well. (Note: the two issues are separate, and restrictions on RIHS Bangladesh's bank accounts should merit more concern by the GOK. The government of Bangladesh canceled RIHS's license on May 18. End Note).

- Russia: xxxxxxxxxxxx noted that there are no RIHS branches in Russia, a point which the GOK has already discussed with the GOR. All charities in Russia are approved by the Ministry of Assistance, and the GOK was very surprised to learn that the GOR designated RIHS -- a charity that had Ministry approval, he continued. O'Brien replied that in July 2006 the GOR publicly identified RIHS as a terrorist organization, listing it among a group of 17 organizations banned in Russia.

- Bosnia: xxxxxxxxxxxx said the GOK has received two official letters praising RIHS' work from the Ministry of Immigration. (Note: European forces and Sarajevo Cantonal police raided the Sarajevo office of RIHS in December 2006. End Note).

- Albania: xxxxxxxxxxxx acknowledged that the RIHS office in Albania has been closed since 2005, but noted that all charity branches in Albania were closed at that time as the result of a political decision. All charity work, he continued, now goes through the "Religious Committee" in Tirana. (Note: In addition to the closure of the office,

the GOA also froze RIHS's funds. End Note).

- Kosovo: xxxxxxxxxxxx stated that all charity work in Kosovo must have the approval of European Forces Command. He acknowledged that the GOK has received some comments, but maintained they still differ from USG accounts. O'Brien pointed to derogatory information on RIHS Kosovo's activities in the RIHS non-paper (ref A).

¶6. (S/NF) O'Brien briefed xxxxxxxxxxxx ref A reiterating previous assurances (ref D) that the USG will work with the countries concerned to provide additional information to the GOK. O'Brien noted that the USG welcomes additional information on GOK findings, but added that the USG believes it is time to take action. (Comment: xxxxxxxxxxxx indicated his willingness to share GOK findings in writing in previous meetings with Emboffs, but Post has yet to receive anything in writing. It is unclear if he actually has any hard evidence, including the infamous two letters of commendation from the Bosnian Ministry of Immigration. In mentioning RIHS Kosovo, xxxxxxxxxxxx noted that it is not among the eight branches currently being considered for designation. Post would appreciate additional information on why Kosovo and Indonesia are no longer being considered, for internal use and/or to share with the GOK if asked. End comment.)

Ministry of Foreign Affairs on
Bathali, Al-Ali, Al-Jalahmah

¶7. (S/NF) O'Brien presented xxxxxxxxxxxx with ref B non-paper outlining continued activity by Al-Jalahmah, Al-Ali, and Bathali in spite of their December 7, 2006 designation in the United States. Despite GOK assurances that their activities would be monitored and restricted, the three have continued to engage in fundraising and the provision of logistical support for terrorism as well as travel outside of the country. When asked, xxxxxxxxxxxx said the GOK would not be willing to ask Qatar to remove its hold on the UN designation of the three, placed there at the GOK's behest. xxxxxxxxxxxx argued that the charges against the three have not been proven and "the GOK would be sued" if it supported such accusations at the UN. Speaking generally about the three individuals, xxxxxxxxxxxx stated they were taken to the "highest courts" and proven innocent. "I can't put them in jail because of suspicions," he continued. When queried by O'Brien on the nature of their crimes, it turned out that the three were acquitted for crimes unrelated to their current activities. For example, Jalahmah was tried for beating a woman who was not fully covered. O'Brien pressed xxxxxxxxxxxx on the issue, stating that current USG concerns and derogatory information are unrelated to any prior GOK legal action against these individuals.

¶8. (S/NF) xxxxxxxxxxxx continued that Bathali was not mentally stable and that he is getting more attention than he deserves. O'Brien responded that regardless of xxxxxxxxxxxx impression of Bathali's mental state, he remains a threat as demonstrated by his actions. Responding to a point in ref B non-paper on Al-Jalahmah and Bathali's travel to Qatar to appear on Al-Jazeera. xxxxxxxxxxxx asked O'Brien if appearing on Al-Jazeera was a crime. O'Brien explained that the USG concern was their travel outside of Kuwait despite GOK assurances (ref D) to monitor their actions. xxxxxxxxxxxx insisted that the GOK is monitoring them and is coordinating its efforts with other Gulf countries. O'Brien reiterated his call for GOK action noting that public action against a bad actor engenders greater confidence in a country's AML/CTF regime.

Ministry of Social Affairs and Labor:

¶9. (S/NF) Reflecting upon the history of charitable work in Kuwait, xxxxxxxxxxxx noted that the GOK is trying to work with a culture of giving that is ingrained in both society and religion, "and it is not an easy mix in Kuwait." A 1969 law legalized charities in Kuwait and for many years they operated on their own with little to no GOK supervision. Today, the GOK is doing its best to determine "how much they collect and where it goes" while not alienating charities or their benefactors, some of whom have considerable influence. The problem, he said, is cash transactions. O'Brien agreed that charity is an integral and important part of society and therefore needs to be safeguarded. O'Brien noted that the diversion of funds remains an important vulnerability for charities and reiterated the importance of these external oversight efforts. He added that of additional concern are charities that provide funding or support on behalf of terrorist organizations. O'Brien went on to stress the importance of monitoring both the front and back-end of charitable giving. He urged the need to vet organizations and recipients on the ground and work with charities to implement sound reporting and oversight mechanisms on the back-end.

¶10. (S/NF) xxxxxxxxxxxx outlined ongoing efforts (ref F) to ensure the integrity of charitable work by increasing GOK oversight. He highlighted four alternative donation collection initiatives -- SMS, using K-net for electronic transfers, opening small offices in malls staffed by a representative from an NGO and MOSAL, and setting up an ATM-like machine in which prospective donors can choose from a menu of projects -- designed to create an electronic record of all transactions that will enhance MOSAL and other GOK entities, ability to track funds. MOSAL has an ongoing dialogue with charities to increase the use of electronic collection methods creating a record MOSAL and other GOK entities can review, but he acknowledged that "it is not easy to get them to accept." "We are not happy with the progress, but at least they are starting to consider the options," he explained.

¶11. (S/NF) Briefing MOSAL on ref A and passing ref B non-papers, O'Brien reiterated concern about RIHS activities and said that the USG is looking into taking domestic and UN action against these eight branches in the near future. In addressing O'Brien's concerns about RIHS activities abroad, xxxxxxxxxxxx explained that while MOSAL oversees charitable operations inside Kuwait, it continues to rely on the MFA to oversee charities' external activities. External RIHS projects must be endorsed by both the host government and the local Kuwaiti Embassy before they receive GOK approval, as was the case in Bangladesh. He conceded, however, that this puts pressure on Kuwaiti embassy officials, especially those in Africa and Asia. xxxxxxxxxxxx thanked the USG for encouraging the exchange of information on RIHS noting that the GOK has been waiting for a response from the Russians for eight months. In response to the ref B non-paper on the three Kuwaiti terrorist facilitators, he noted that the GOK is aware of these individuals and is following this matter through an interagency committee. (Comment: This is the first we have heard of this committee. We will pursue with the GOK. End comment).

Central Bank of Kuwait

¶12. (SBU) xxxxxxxxxxxx lauded the increased awareness and vigilance of local banks as evidence of Kuwait's commitment to combating financial

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crime. Banks know that the GOK is serious and will enforce

penalties, he explained. He added that CBK has also begun to receive inquiries from private citizens outside of the financial sector who are concerned about money laundering.

¶13. (S/NF) Econoff asked xxxxxxxxxxxx about an April 22 report in Kuwaiti Arabic-language daily "Al-Watan" in which Bathali complained about his account being frozen per "instructions from the U.S. Department of Treasury." xxxxxxxxxxxx confirmed that a local bank froze and will soon close Bathali's account based on his inclusion in the Treasury OFAC List. However, he stressed that while his account will be closed, Bathali's funds will be returned to him. xxxxxxxxxxxx emphasized that financial institutions in Kuwait take this matter very seriously because of both concern for their reputation and the impact on their relationship with the correspondent bank. (Comment: Post believes the local bank involved was the Kuwait Finance House. This has also been suggested in the Kuwaiti press. End comment.)

Ministry of Finance:
Kuwait is "Making Strides in AML/CTF"

¶14. (C/NF) Briefing the Assistant Secretary on the GOK's ongoing AML/CTF efforts, xxxxxxxxxxxx noted that the GOK is doing its best to counter money laundering and terrorist financing and has made tremendous strides in the last 10 years, outpacing some of its regional neighbors. He acknowledged that "there are cancers," but reiterated that the GOK can not take action based on rumors, and that documentation is required. In response, O'Brien passed the Ministers non-papers on RIHS and Jaber Al-Jalahmah, Hamid Al-Ali, and Mubarak Al-Bathali.

¶15. (C/NF) Customs operations also fall under the purview of the Minister of Finance who noted that cash smuggling from Iraq and Iran continues to be a concern, particularly on the Iraq-Kuwait border because of volume and a lack of personnel. He looks forward to the May 2007 opening of the Khabari Crossing (ref C), aka K-Crossing -- which will be used exclusively by U.S. military, Coalition Forces, and military contractors going into and out of Iraq -- as it will take some of the pressure off the civilian crossing at Abdali. xxxxxxxxxxxx disclosed that Turkey has requested permission for Turkish trucks to transit Kuwait. The GOK is unable to accommodate the request at this time due to the already heavy volume of traffic but he noted that the opening of K-Crossing may allow the GOK to reconsider.

xxxxxxxxxxxxx
Cash Couriers Continue to Be Problematic

¶16. (C/NF) O'Brien also met with xxxxxxxxxxxx, who outlined the various challenges facing Customs operations in Kuwait, particularly in light of continued instability in Iraq. A priority AML/CTF concern is cash smuggling which he said is caused, at least in part, by a ban on the export of currency from Iraq and Iran. xxxxxxxxxxxx noted that the bulk of these incidents seem to involve merchants who are trying to move their money in and out of closed markets and are not related to criminal/terror activity. To combat this trend, Kuwait has a disclosure system for inbound travelers requiring them to report currency in excess of KD 3000 (USD 10,000). In the proposed draft law, xxxxxxxxxxxx said that Kuwait will move to a declaration system. A reporting form is now in use at some land and sea borders, specifically those with Iraq and Iran, and will soon be in place at airports. xxxxxxxxxxxx said that signs would be placed in airports once approved by civil

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aviation authorities.

¶17. (C/NF) xxxxxxxxxxxx noted that communication with his Iraqi counterparts, whom he described as a fragmented group of individuals "representing their own party," is sporadic and dysfunctional at best. In contrast, the DG described

communication with his Iranian counterparts as good, noting that bilateral meetings are held at least twice a year. xxxxxxxxxxxx welcomed continued cooperation with the U.S. and suggested that USG sponsorship of a GCC conference on AML/CTF with representatives from various government agencies -- Customs, MOI, Justice, Finance, etc. -- would be an appropriate next step. Customs officials already have a formal network to exchange ideas, he explained, but as the nature of these issues requires a multifaceted approach an expanded forum would be beneficial. "In the Gulf these cases are seen as the responsibility of MOI, but Customs should be more engaged because Customs is the first line of defense," he concluded. O'Brien noted that evidence shows that as governments limit the AML/CTF vulnerabilities in the formal financial sector, terrorist and other criminals turn to other less regulated avenues, including cash. He commended Customs for its efforts to date and reiterated that cash declaration programs play a key role in combating illicit activity. O'Brien offered technical assistance and discussed the successful DHS/ICE cash courier training in the Philippines and proposed a similar training in Kuwait. He suggested that xxxxxxxxxxxx contact the DHS/ICE Attach on how to move forward. (Note: O'Brien did not pass ref A or B non-papers during this meeting. End note.)

Draft Terror Finance Law:
Still Undergoing Technical Review

¶18. (C/NF) In response to A/S O'Brien's concerns about the failure to criminalize terrorist financing in the current GOK money laundering law, multiple interlocutors indicated that the draft amendment to the law would include such language and was reviewed by the National Committee's (NC) Technical Committee on April 23. The revised draft should be presented to the National Committee Chairman, the CBK Governor, soon. The Governor will then forward the draft to the Cabinet who will in turn pass it to Parliament's Legal Committee. Once it passes the Committee, it will be presented to the full Parliament. xxxxxxxxxxxx noted that the Technical Committee plans to actively lobby MPs to facilitate the draft's timely passage. xxxxxxxxxxxx said Committee members are united on the merits of the new draft which included two key enhancements to the FIU: 1) The FIU will receive SARs directly, and 2) Kuwait's FIU will be able to exchange information with other FIUs. (Note: The GOK has chosen not to share a copy with the USG, but says the current draft criminalizes terror financing, includes a provision to require both inbound and outbound declarations of cash, and allows the FIU, not the OPP, to directly receive SARs. A similar provision on cash declarations was taken out of the 2002 AML draft law. End note.)

¶19. (C/NF) O'Brien lauded the proposed amendments and explained that changes to the structure and function of the FIU are required for Egmont group membership. He also offered USG assistance and comments on the draft law. When asked for his assessment of AML/CTF regimes in the region, O'Brien noted that, although some countries are still working to criminalize terrorist financing, the legal framework has developed rapidly in a relatively short period of time. The focus now should shift toward implementation and capacity building as the GOK and others focus on acquiring the resources and abilities to enforce the new regimes. xxxxxxxxxxxx also asked about the availability of a list for

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money laundering and narcotics offenders. O'Brien noted that while no such list exists for money laundering, the GOK can subscribe to Worldcheck and other services that track UN, OFAC, and public data like criminal charges. He further noted that the USG has a narcotics Kingpin List, aka the Clinton list, for narcotics indictments.

¶20. (SBU) A/S O'Brien cleared this cable.

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